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Page: 11

Caprio, 'SWAT' team initiate plan to regain \$62 million in assets

PROVIDENCE—Rhode Island General Treasurer Frank Caprio and the State Financial "SWAT" Team announced this month a plan aimed at recovering \$62 million in state assets currently held in a U.S. government money market fund frozen by the U.S. Securities and Exchange Commission in late September.

Rhode Island has \$62 million invested in the \$7 Billion Reserve Co. U.S. Government Fund, representing less than 1 percent of the fund. On Sept. 22, the SEC granted an order permitting the fund to postpone payment of shares that had been submitted for redemption.

Under the provisions of the money market investment, investors are entitled to redemption within seven days. The SEC order has temporarily placed that redemption timeline in limbo to permit The Reserve Fund to liquidate that fund in an orderly manner as market conditions allow.

The liquidity came into question when the reserve requested that the SEC allow it to temporarily renege on its prospectus requiring it to honor redemption requests after seven days, after one of its funds had fallen below the money-fund industry's \$1-a-share standard. The fund is not the one Rhode Island is invested in.

Treasurer Caprio traveled to New York to speak with Reserve Management Co. Chairman Bruce R. Bent, who agreed to begin liquidating the fund.

Treasurer Caprio also presented and discussed with Bent a second proposal. Caprio determined that the state and its money managers would be capable of selling, at no loss, the securities currently held by the reserve. At the request of Caprio and other institutional investors, Bent agreed to request permission from the SEC to transfer securities, equal in value to the state's investment, directly to the state, Caprio said in a statement.